Postal Regulatory Commission Submitted 5/31/2018 4:29:19 PM Filing ID: 105045 Accepted 5/31/2018

BEFORE THE POSTAL REGULATORY COMMISSION WASHINGTON, D.C. 20268–0001

DATA ENHANCEMENTS AND
REPORTING REQUIREMENTS FOR FLATS

Docket No. RM2018-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO GENERAL QUESTION 6 OF COMMISSION INFORMATION REQUEST NO. 2 (May 31, 2018)

The Postal Service hereby files its response to General Question 6 of CIR No. 2, issued March 28, 2018. The question is stated verbatim and followed by the response. All other CIR No. 2 responses were timely filed on May 29, 2018.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno Chief Counsel, Global Business & Service Development

Nabeel R. Cheema Chief Counsel, Pricing & Product Support

Eric P. Koetting Kara C. Marcello B.J. Meadows III

475 L'Enfant Plaza, S.W. Washington, D.C. 20260-1137 (202) 277-6333 May 31, 2018

General Questions

- **6.** Please refer to the Response to CIR No. 1, question OD-4.
 - a. Please provide data that demonstrates how much volume has been removed from processing on bundle sorting machines. Please provide national quarterly data from FY 2013 to present.
 - b. Please provide an estimate of the impact of the Flats Sequencing System (FSS) on the operational window. Please provide all information supporting this estimate. Please also provide national quarterly data from FY 2013 to present.
 - c. Please provide the cost savings estimated from removing "mail from the manual flow by eliminating the need for a clerk or carrier to touch the mail before delivery occurs, thereby offsetting the labor cost of the manual process." Please provide national annual data from FY 2013 to present.
 - d. Please provide an estimate of the reduced "allied operations" obtained from the FSS "as it sorts and places the mail directly into trays and onto the Mail Transport Equipment (MTE) which is transported directly to the delivery unit." Please provide national annual data from FY 2013 to present.
 - e. Please provide an estimate of errors that occur in FSS sortation that result in the mail becoming "unrecoverable in terms of meeting the service standard." Please provide national quarterly data from FY 2013 to present.

RESPONSE:

a. Based on full-service Periodicals and USPS Marketing Mail flats in measurement, the Postal Service has estimated the volume removed from processing on bundle sorting machines due to FSS. The national quarterly data are provided in the Excel file attached to this response electronically; however, due to data retention policies, these data are only available back to FY 2016 Q2. The best available quarterly estimates requested are the percentages appearing in column C (rows 7-15) of the Excel file.

- b. The impact of FSS on the operational window is not specifically measured, but FSS preparation allows mail to bypass bundle sorting operations, thereby enabling mail to be available earlier at the FSS, and likewise making bundle sorting capacity more available to other types of mail. The estimated FSS volume that bypasses bundle sorting operations, based on a subset of full-service flats in measurement, is reported in the Excel file provided in response to part a. of this question.
- In order to attempt to respond to this question, carrier cost savings for C. city and rural carriers have been estimated in Excel file CIR2.General Q6c-d.FSS Costing.xlsx, provided as part of USPS-RM2018-1/2 (which was posted on the Daily Listings on May 30, 2018). For city carriers, the estimates were derived by applying the 6.1 In-Office Direct Labor, Casing unit cost for non-FSS zones to the portion of finalized FSS volume. In contrast, rural carriers receive separate time credit for each FSS piece and for each cased flat-shaped piece. To estimate rural carrier cost savings, the difference between the sum of cased flats delivery and FSS unit costs for FSS zones and the corresponding sum for non-FSS zones was converted to a unit basis and then applied to the portion of finalized FSS volume. Separate FSS city and rural carrier costs have only been available since Docket No. ACR2015. For FY 2014, the relevant delivery costs used in Docket No. RM2015-16, Proposal Seven, Section Two were used. Because the data are not available, no costs have been provided for FY 2013.

In mail processing, the principal activity eliminated by FSS processing is the act of distributing Carrier Route bundles to the carrier at the delivery office. In the absence of the FSS, carrier route bundles for an office arrive co-mingled in either mail transport equipment from the plant or on 5-Digit pallets. At the destination delivery unit, a clerk will sort these bundles to route and distribute them to carrier. With FSS processing, this activity is eliminated. The Periodicals Outside County mailflow model (Docket No. ACR2017, USPS-FY17-11, USPS-FY17-11 PER_OC.xls) can be used to develop estimates of the cost associated with the manual distribution of carrier route bundles at the delivery unit.

Savings from elimination of CR bundle distribu					
	FY17	FY16	FY15	FY14	FY13
Cost of Manual Distribution of CR bundles (\$)	0.235	0.236	0.243	0.256	0.249
Average Pieces CR Bundle (Periodicals)	15.8	15.4	14.6	14.7	14.2
Average Pieces CR Bundle (USPS MM)	21.6	21.4	20.3	20.9	20.7
Cost Per Piece (Periodicals)	0.015	0.015	0.017	0.017	0.018
Cost Per Piece (USPS MM)	0.011	0.011	0.012	0.012	0.012
Periodicals CR rated FSS zone volume	581,136,910	618,107,526	654,546,220	632,907,541	662,849,749
USPS MM CR rated FSS zone volume	1,844,181,655	1,808,344,559	1,959,654,023	2,003,151,625	2,185,798,067
Cost Savings (Periodicals)	8,684,195	9,436,147	10,925,333	11,075,257	11,609,028
Cost Savings (USPS MM)	20,068,145	19,900,567	23,459,937	24,551,094	26,271,739

Source: CIR2.General Q6c-d.FSS Costing.xlsx, Tab: 'Summary 6c Clerk Savings'

d. Mail prepared in FSS bundles on FSS Scheme pallets can be inducted directly into FSS operations. In the absence of FSS processing, the FSS mail that does not qualify for Carrier Route rates would most likely be prepared in 5-Digit bundles and entered on SCF pallets. A typical mail processing flow of this mail would include:

- Step 1) Unload and transport pallets to a bundle distribution operation
- Step 2) Bundle distribution on the APPS or APBS
- Step 3) Transport Mail Transportation Equipment (MTE) with bundles to AFSM Incoming Secondary operation
- Step 4) Incoming Secondary piece distribution on the AFSM
- Step 5) Dispatch MTE with tubs of processed mail from the AFSM to the platform
- Step 6) Load containers for transportation to delivery unit
- Step 7) Unload containers at the delivery unit
- Step 8) Separate tubs of processed flats by carrier route and transport to carriers

This mail would incur allied costs of unloading pallets from arriving transportation and moving them to the bundle distribution operation; transporting the mail from the bundle sortation operation to the piece distribution operation; dispatching Mail Transportation Equipment (MTE) from the piece distribution operation to outbound dock staging; loading MTE onto transportation to the delivery unit; unloading MTE at the delivery unit; and distribution of tubs of sorted pieces to the carrier.

FSS preparation and processing replaces steps 2-4 of the mail processing flow described above with FSS processing. A typical flow for mail on FSS scheme pallets is:

Step 1) - Unload and transport pallets to the FSS operation

- Step 2) Flat sequencing on the FSS
- Step 3) Dispatch containers with trays of sequenced mail from the FSS to the platform
- Step 4) Load containers for transportation to delivery unit
- Step 5) Unload containers at the delivery unit
- Step 6) Transport trays of sequenced flats to carriers

 By having this mail prepared on FSS scheme containers, it will bypass bundle sortation operations altogether, and the allied labor costs associated with transporting mail from the bundle operation to piece distribution would be eliminated.

The Postal Service does not measure the allied costs associated with all possible preparation combinations, but for FY 2017, the Periodicals Outside County mailflow model (Docket No. ACR2017, USPS-FY17-11, USPS-FY17-11 PER_OC.xls) can be used to develop estimates of the allied costs of mail prepared on FSS Scheme pallets (2.5 cents per piece), and the allied costs of the most likely preparation alternative in the absence of the FSS, 5-Digit bundles on SCF pallets (4.2 cents per piece). In FY 2017, there were 138.1 million USPS Marketing Mail pieces, and 22.3 million Periodicals Outside-County pieces on FSS Scheme containers that likely would otherwise have been prepared in 5-Digit bundles on SCF containers. With an allied cost reduction of 1.7 cents (4.2 cents minus 2.5 cents) per piece, the FY 2017 reduction in allied costs is estimated to be \$2.8 million. For prior years, the volumes and estimated

savings are presented in the table below. It should be noted that FSS prep did not become mandatory until Q2 FY14, which is why the FY 2013 estimated savings are negligible.

	Periodicals			USPS Marketing Mail			Total
	FSS Scheme	Estimated	Modeled	FSS Scheme	Estimated	Modeled	Modeled
	Container Volume	5-Digit Presort	Savings	Container Volume	5-Digit Presort	Savings	Savings
FY13	13,895,951	821,045	13,637	8,731,344	1,427,874	23,716	37,354
FY14	216,058,154	10,433,682	169,249	480,299,180	93,025,344	1,509,001	1,678,250
FY15	321,411,621	19,262,277	313,084	629,680,167	102,974,267	1,673,715	1,986,799
FY16	298,063,600	17,611,139	293,226	1,120,367,539	183,218,454	3,050,598	3,343,824
FY17	314,180,278	22,309,213	389,108	803,304,024	138,152,175	2,409,591	2,798,699

Source: CIR2.General Q6c-d.FSS Costing.xlsx, Tab: 'Summary 6d Allied Savings'

e. When mail is missent or missorted by FSS, the pieces are considered at risk, but these events do not always result in delayed mail either in part or full. Delayed mail is reported in CSDRS, but is not recorded by a specific cause, such as missent or missorted mail; however, delivery units sometimes report these events in the CSDRS comments. To quantify individually the exact amount of mail impacted by each event is not currently possible. Additionally, delayed mail is not reported by shape (i.e., letters vs. flats), and FSS vs. non-FSS mail cannot be distinguished. Estimates of missent and missorted mail were provided in the response to item PP6-1.d of CIR No. 1 in this docket (response filed on December 4, 2017), but these data are not specific to FSS sortation errors.